

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**PETKİM PETROKİMYA HOLDİNG  
ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THE PERIOD  
FROM 1 JANUARY TO 31 MARCH 2020**

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2020**

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS .....</b>	<b>1-3</b>
<b>CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....</b>	<b>4-5</b>
<b>CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY .....</b>	<b>6</b>
<b>CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW.....</b>	<b>7</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2020 .....</b>	<b>8-40</b>
NOTE 1      GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	8-9
NOTE 2      BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS .....	10-16
NOTE 3      SEGMENT REPORTING.....	16-18
NOTE 4      CASH AND CASH EQUIVALENTS .....	18
NOTE 5      INVENTORIES .....	18-19
NOTE 6      BORROWINGS AND BORROWING COSTS.....	19-21
NOTE 7      PROPERTY, PLANT AND EQUIPMENT .....	22-23
NOTE 8      DEFERRED REVENUE.....	24
NOTE 9      PREPAID EXPENSES .....	24
NOTE 10      EMPLOYEE BENEFITS .....	24-26
NOTE 11      EQUITY.....	26-28
NOTE 12      TAX ASSETS AND LIABILITIES.....	29-30
NOTE 13      GENERAL ADMINISTRATIVE EXPENSES.....	31
NOTE 14      OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES.....	31
NOTE 15      FINANCIAL INCOME/EXPENSES.....	32
NOTE 16      EARNINGS PER SHARE .....	32
NOTE 17      TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	33-38
NOTE 18      PROVISIONS, CONTINGENT ASSETS AND LIABILITIES .....	39-41
NOTE 19      FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT .....	42-44

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT  
31 MARCH 2020 AND 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 31 March 2020	Audited 31 December 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	3.676.938	4.037.170
Financial investments		5.061	-
Trade receivables		1.421.339	1.552.153
- Trade receivables from related parties	17	152.883	151.715
- Trade receivables from third parties		1.268.456	1.400.438
Other receivables		6.777	12.759
- Other receivables from related parties	17	3.884	8.672
- Other receivables from third parties		2.893	4.087
Inventories	5	903.221	929.156
Prepaid expenses		3.223.767	2.895.185
- Prepaid expenses to third parties	9	92.679	40.296
- Prepaid expenses to related parties	17	3.131.088	2.854.889
Other current assets		159.012	116.227
- Other current assets from third parties		159.012	116.227
Current income tax assets	12	9.131	3.997
<b>Total current assets</b>		<b>9.405.246</b>	<b>9.546.647</b>
<b>Non-Current assets</b>			
Financial investments		8.910	8.910
Other receivables		7.464	6.462
- Other receivables from related parties	17	7.464	6.462
Investment properties		1.476	1.476
Property, plant and equipment	7	4.879.527	4.691.147
Right-of-use assets		180.485	173.979
Intangible assets		38.952	35.702
Prepaid expenses		58.551	59.226
- Prepaid expenses to third parties	9	35.571	35.810
- Prepaid expenses to related parties	17	22.980	23.416
Deferred tax assets	12	273.257	261.426
Other non-current assets		16.454	16.358
- Other non-current assets from third parties		16.454	16.358
<b>Total non-current assets</b>		<b>5.465.076</b>	<b>5.254.686</b>
<b>TOTAL ASSETS</b>		<b>14.870.322</b>	<b>14.801.333</b>

The accompanying notes are an integral part of these consolidated financial statements.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 31 March 2020	Audited 31 December 2019
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short term borrowings		3.520.007	3.741.354
- Short term borrowings from third parties		3.487.934	3.715.680
- Bank borrowings	6	1.936.812	2.180.590
- Operational lease liabilities	6	27.936	24.815
- Other financial liabilities	6	1.523.186	1.510.275
- Short term borrowings from related parties	17	32.073	25.674
- Operational lease liabilities		32.073	25.674
Short term portion of long term borrowings		279.105	295.890
- Short term portion of long-term borrowings from third parties		279.105	295.890
- Bank borrowings	6	247.071	223.245
- Bonds issued	6	32.034	72.645
Derivative financial instruments		21.259	942
Trade payables		476.130	957.019
- Trade payables to related parties	17	153.155	533.668
- Trade payables to third parties		322.975	423.351
Payables related to employee benefits		22.923	19.939
Other payables		13.019	13.239
- Other payables to related parties	17	87	87
- Other payables to third parties		12.932	13.152
Deferred income		84.751	42.723
- Deferred income from related parties	17	28.255	184
- Deferred income from third parties	8	56.496	42.539
Short term provisions		17.758	36.415
- Provision for employee benefits	10	15.123	33.780
- Other short term provisions	18	2.635	2.635
Other current liabilities		11.389	21.032
- Other current liabilities from third parties		11.389	21.032
<b>Total current liabilities</b>		<b>4.446.341</b>	<b>5.128.553</b>
<b>Non-current liabilities</b>			
Long term financial liabilities		5.261.868	4.487.000
- Long term financial liabilities from third parties		5.137.628	4.383.439
- Bank borrowings	6	1.479.853	1.385.373
- Operational lease liabilities	6	35.303	36.425
- Bonds issued	6	3.249.056	2.961.641
- Other financial liabilities		373.416	-
- Long term financial liabilities from related parties	17	124.240	103.561
- Operational lease liabilities		124.240	103.561
Derivative financial liabilities		50.281	23.176
Deferred revenue		211.120	194.600
- Deferred revenue from related parties	17	211.120	194.600
Long term provisions		127.519	119.123
- Provision for employee termination benefits	10	127.519	119.123
<b>Total non-current liabilities</b>		<b>5.650.788</b>	<b>4.823.899</b>
<b>TOTAL LIABILITIES</b>		<b>10.097.129</b>	<b>9.952.452</b>

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT  
31 MARCH 2020 AND 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 31 March 2020	Audited 31 December 2019
<b>Equity</b>			
<b>Equity attributable to owners of the parent company</b>		<b>4.790.831</b>	<b>4.859.836</b>
Share capital	11	2.112.000	2.112.000
Adjustment to share capital	11	238.988	238.988
Share premium		64.188	64.188
Other comprehensive income/(expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(37.861)	(37.861)
Other comprehensive income/(expense) to be reclassified to profit or loss		(130.933)	(75.057)
- Currency translation differences		(88.672)	(61.549)
- (Loss)/gain on flow hedges		(42.261)	(13.508)
Restricted reserves		330.000	330.000
Retained earnings		2.227.578	1.414.287
Net profit for the period		(13.129)	813.291
<b>Non-controlling interest</b>		<b>(17.638)</b>	<b>(10.955)</b>
<b>TOTAL EQUITY</b>		<b>4.773.193</b>	<b>4.848.881</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14.870.322</b>	<b>14.801.333</b>

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIODS  
ENDED 31 MARCH 2020 AND 31 MARCH 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 1 January - 31 March 2020	Unaudited 1 January - 31 March 2019
<b>PROFIT OR LOSS</b>			
Revenue		2.766.353	2.832.087
Cost of sales (-)		(2.561.319)	(2.498.533)
<b>GROSS PROFIT</b>		<b>205.034</b>	<b>333.554</b>
General administrative expenses (-)	13	(100.553)	(87.205)
Selling, marketing and distribution expenses (-)		(28.482)	(23.902)
Research and development expenses (-)		(6.946)	(5.800)
Other operating income	14	111.494	95.304
Other operating expenses (-)	14	(47.707)	(42.291)
<b>OPERATING PROFIT</b>		<b>132.840</b>	<b>269.660</b>
Income from investing activities		9.915	8.050
Expense from investing activities (-)		(346)	(3)
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)</b>		<b>142.409</b>	<b>277.707</b>
Financial income	15	751.082	558.799
Financial expenses (-)	15	(882.799)	(646.008)
<b>PROFIT BEFORE TAX FROM CONTINUED OPERATIONS</b>		<b>10.692</b>	<b>190.498</b>
<b>Tax expense from continued operations</b>		<b>(20.473)</b>	<b>(46.675)</b>
- Current tax expenses (-)	12	-	(20.652)
- Deferred tax expenses (-)	12	(20.473)	(26.023)
<b>PROFIT/LOSS FOR THE PERIOD CONTINUING OPERATIONS</b>		<b>(9.781)</b>	<b>143.823</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(9.781)</b>	<b>143.823</b>
<b>DISTRIBUTION OF INCOME/(EXPENSE) FOR THE PERIOD</b>			
- Non-controlling interest		3.348	(10.206)
- Owners of the parent company		(13.129)	154.029
<b>Earnings/(Loss) Per Share</b>	16	<b>(0,0062)</b>	<b>0,0729</b>
- Earnings per Kr1 number of 1 shares from continued operations		(0,0062)	0,0729

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIODS  
ENDED 31 MARCH 2020 AND 31 MARCH 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 1 January - 31 March 2020	Unaudited 1 January - 31 March 2019
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<b>Items to be reclassified to profit or loss</b>		<b>(65.907)</b>	<b>(2.080)</b>
Currency translation differences		(27.970)	(8.718)
Other comprehensive income/(loss) related with cash flow hedges		(47.423)	8.297
Gain/(loss) on cash flow hedges		(47.423)	8.297
Taxes with other comprehensive income		9.486	(1.659)
Taxes relating to (loss)/gain on cash flow hedges		9.486	(1.659)
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>		<b>(65.907)</b>	<b>(2.080)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(75.688)</b>	<b>141.743</b>
<b>Attributable to:</b>			
Non-controlling interests		(6.683)	(10.027)
Owners of the parent company		(69.005)	151.770

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH  
INTERIM PERIODS ENDED 31 MARCH 2020 AND DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

			Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/ (expense) to be reclassified to profit or (loss)								
	Share capital	Adjustment to share capital	Actuarial (loss) arising from defined benefit plan	(Loss)/gain on cash flow hedges	Currency translation differences	Share premium	Restricted reserves	Net profit/(loss) for the year	Retained earnings	Equity attributable to owners of the parent company	Non- controlling interests	Total equity
<b>1 January 2019</b>	<b>1.650.000</b>	<b>238.988</b>	<b>(29.607)</b>	<b>(9.911)</b>	<b>(29.645)</b>	<b>64.188</b>	<b>310.644</b>	<b>871.672</b>	<b>1.023.971</b>	<b>4.090.300</b>	<b>44.636</b>	<b>4.134.936</b>
Transfers	-	-	-	-	-	-	19.356	(871.672)	852.316	-	-	-
Total comprehensive income	-	-	-	8.865	(11.124)	-	-	154.029	-	151.770	(10.027)	141.743
- Other comprehensive income	-	-	-	8.865	(11.124)	-	-	-	-	(2.259)	179	(2.080)
- Net profit for the period	-	-	-	-	-	-	-	154.029	-	154.029	(10.206)	143.823
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
<b>31 March 2019</b>	<b>1.650.000</b>	<b>238.988</b>	<b>(29.607)</b>	<b>(1.046)</b>	<b>(40.769)</b>	<b>64.188</b>	<b>330.000</b>	<b>154.029</b>	<b>1.876.287</b>	<b>4.242.070</b>	<b>34.609</b>	<b>4.276.679</b>
<b>1 January 2020</b>	<b>2.112.000</b>	<b>238.988</b>	<b>(37.861)</b>	<b>(13.508)</b>	<b>(61.549)</b>	<b>64.188</b>	<b>330.000</b>	<b>813.291</b>	<b>1.414.287</b>	<b>4.859.836</b>	<b>(10.955)</b>	<b>4.848.881</b>
Transfers	-	-	-	-	-	-	-	(813.291)	813.291	-	-	-
Total comprehensive income	-	-	-	(28.753)	(27.123)	-	-	(13.129)	-	(69.005)	(6.683)	(75.688)
- Other comprehensive income	-	-	-	(28.753)	(27.123)	-	-	-	-	(55.876)	(10.031)	(65.907)
- Net profit for the period	-	-	-	-	-	-	-	(13.129)	-	(13.129)	3.348	(9.781)
<b>31 March 2020</b>	<b>2.112.000</b>	<b>238.988</b>	<b>(37.861)</b>	<b>(42.261)</b>	<b>(88.672)</b>	<b>64.188</b>	<b>330.000</b>	<b>(13.129)</b>	<b>2.227.578</b>	<b>4.790.831</b>	<b>(17.638)</b>	<b>4.773.193</b>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE  
THREE-MONTH INTERIM PERIODS ENDED 31 MARCH 2020 AND DECEMBER  
2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 1 January - 31 March 2020	Unaudited 1 January - 31 March 2019
<b>A. Cash flows from operating activities:</b>		<b>(32.748)</b>	<b>7.054</b>
Profit for the period (I)		(9.781)	143.823
<b>Adjustments related to reconciliation of (II) net profit (loss) for the period:</b>		<b>500.687</b>	<b>221.368</b>
Adjustments for depreciation and amortization		85.553	71.820
Adjustments for impairments/reversals		16.174	(30.237)
- Adjustments for impairment of inventories	5	16.174	(30.237)
Adjustments for provisions		44.563	36.521
- Adjustments for provision employment termination benefits		47.041	35.979
- Adjustments for provision/other cases		(2.478)	542
Adjustments for interest income/(expense)		78.642	65.402
- Adjustments for interest income	15	(30.909)	(32.665)
- Adjustments for interest expense	15	109.551	98.067
Adjustments for unrealized foreign currency translation differences		255.282	31.187
Adjustments for tax income/losses		20.473	46.675
<b>Changes in working capital (III)</b>		<b>(478.710)</b>	<b>(299.368)</b>
Adjustments for increases in trade receivables		61.149	(453.058)
Adjustments for increases in other receivables		5.807	(14.156)
Adjustments for increases in inventory		26.894	192.278
Increases in prepaid expenses		(57.127)	(62.816)
Adjustments for decreases in trade payables		(487.817)	(961)
Adjustments for decreases in other payable		(220)	(14.389)
Increases in debts from employment termination benefits		(14.575)	9.959
Adjustments for increases/(decreases) in deferred revenue		40.221	45.831
Adjustments for (increases)/decreases in derivative financial instruments		(404)	(2.056)
Adjustments related to other increases/(decreases) in working capital		(52.638)	-
<b>Cash flows from operating activities (I+II+III)</b>		<b>12.196</b>	<b>65.823</b>
Employee termination benefits paid		(39.743)	(51.068)
Income taxes refund/(paid)		(5.201)	(7.701)
<b>B. Cash flows from investing activities</b>		<b>(135.289)</b>	<b>(112.520)</b>
Cash outflows due to purchases of tangible and intangible assets		(134.262)	(109.049)
Proceeds from sale of tangible and intangible assets		-	15
Cash inflows due to advances given to related parties		-	(45.000)
Repayments from advances given to related parties		-	45.000
Cash outflows due to advances given to third parties		3.973	(3.486)
Other cash inflows/(outflows)		(5.000)	-
<b>C. Cash flows from financing activities</b>		<b>(298.230)</b>	<b>(511.492)</b>
Proceeds from borrowings	6	505.386	402.435
Repayments of borrowings	6	(919.618)	(481.657)
Proceeds other financial liabilities	6	560.996	286.445
Repayments of other financial liabilities	6	(329.863)	(620.486)
Principal elements of lease payments		(8.131)	(8.505)
Interest received		30.779	42.978
Interest paid		(137.779)	(132.702)
<b>D. Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)</b>		<b>(466.267)</b>	<b>(616.958)</b>
<b>E. Effect of currency translation differences on cash and cash equivalents</b>		<b>106.035</b>	<b>185.417</b>
<b>Net increase/(decrease) in cash and cash equivalents (D+E)</b>		<b>(360.232)</b>	<b>(431.541)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4</b>	<b>4.037.170</b>	<b>3.009.408</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4</b>	<b>3.676.938</b>	<b>2.577.867</b>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS**

Petkim Petrokimya Holding A.Ş. ('Petkim' or 'the Company'), was established on 3 April 1965. The Company started its investment activities in İzmit-Yarımca and initially established the Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC plants in 1970 in the Yarımca Complex and in the following years, construction of other plants continued. In 1985, Aliğa Petrochemical Complex was established with advance technology and optimum capacity. The Company has 14 main plants, 1 bag production unit and 1 solid waste incineration facility. The Company operates its facilities in the petrochemical sector in Turkey.

The major operations of the Company and its subsidiaries are as follows:

- To establish and to operate factories, plants in Turkey home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,
- To process and to treat the raw materials and supplementary/auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from Turkey or abroad, to produce such materials/substances, and to carry out and to perform the domestic and international trading thereof,
- In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of commercial nature,
- To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,
- To carry out and to perform pilotage, trailer and mooring activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, agency, provision, bunkering services, and to provide that such services are offered by third parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,
- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

The 'Share Sales Agreement', with respect to the sale of 51% of shares of Petkim Petrokimya Holding A.Ş. (which has been in the privatization process for several years) to SOCAR & Turcas Petrokimya A.Ş. ('STPAŞ'), 44% of which previously owned by the Republic of Turkey Ministry Privatization Administration ('Administration') and 7% State Pension Fund ('Emekli Sandığı Genel Müdürlüğü') transferred to Republic of Turkey Social Security Institution, was signed on 30 May 2008.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)**

On 22 June 2012, the public shares amounting to 10,32% of the Company capital which belonged to Prime Ministry Privatization Administration was sold to SOCAR İzmir Petrokimya A.Ş. ('SİPAŞ') which is the subsidiary of the Company's main shareholder, SOCAR Turkey Enerji A.Ş. ('STEAS')

As of 31 March 2020 and 31 December 2019 the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ('SOCAR').

The Group is registered at the Capital Markets Board ('CMB') and have been quoted in Borsa İstanbul ('BİST') since 9 July 1990.

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 15 May 2020 and signed Mr. Anar Mammadov, General Manager and Mr. Elchin İbadov, Chief Financial Officer, on behalf of the Board of Directors.

The registered address of the Company as of the date of preparation of the condensed consolidated interim financial statements is as follows:

Siteler Mahallesi Necmettin Giritlioğlu Cad.  
SOCAR Türkiye Aliğa Yönetim Binası No 6/1 Aliğa/İZMİR

As of 31 March 2020, the Company's subsidiaries ('subsidiaries') the Company and its subsidiaries (hereinafter collectively referred to as the 'Group') and their respective operating segments are as follows:

	<b>Nature of operations</b>	<b>Business segment</b>
1. Petlim Limancılık Ticaret A.Ş. ('Petlim')	Port operations	Port
2. Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	Plastic Processing	Petrochemistry

As of 31 March 2020, the average number of employees working for the Group is 2.513 (31 December 2019: 2.494).

The details of the employees as of 31 March 2020 and 31 December 2019 are as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Union (*)	1.876	1.899
Non-union (**)	634	648
	<b>2.510</b>	<b>2.547</b>

(\*) Indicates the personnel who are members of Petrol İş Union.

(\*\*) Indicates the personnel who are not members of Petrol İş Union.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENT**

**2.1 Basis of Presentation of Financial Statements**

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, 'Principals of Financial Reporting in Capital Markets' published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ('TAS'/'IFRS') and its addendum and interpretations ('IFRIC') issued by the Public Oversight Accounting and Auditing Standards Authority ('POAASA') Turkish Accounting Standards Board.

The condensed interim consolidated financial statements are presented in accordance with 'Announcement regarding with TAS Taxonomy' which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The Group prepared its condensed interim consolidated financial statements for the period ended 31 March 2020 in accordance with ('TAS') 34 'Interim Financial Reporting' in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim financial statements whether full set or condensed. In this framework, the Group preferred to present its interim financial statements in condensed.

The Group's condensed consolidated interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore the condensed interim financial statements should be read in conjunction with the Group's annual consolidated financial statements dated 31 December 2019.

The Group maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ('TCC'), tax legislation and the uniform chart of account issued by the Ministry of finance.

The consolidated financial statements, except for the financial assets and liabilities presented with their fair values, are maintained under historical cost conversion, with the required adjustment and reclassification reflected for the purpose of fair presentation in accordance with the IFRS.

According to CMB Communiqué No:14 and announcements made by the CMB, it is obligatory for the foreign exchange position table of the companies preparing the summary financial statements in interim periods to present the hedging ratio of the total foreign exchange liability and the total export and total import amounts in the footnotes of the financial statements. (Note 19).

The Group's financial statements in the interim condensed consolidated financial statements do not have any effect on the seasonality of the Group's operations.

**2.2 Summary of Significant Accounting Policies**

Significant accounting policies applied in the preparation of the financial statements in the interim condensed consolidated statements are consistent with the explanations in the financial statements for the period 1 January - 31 December 2019 except for the following:

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENT (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Expenses which are not evenly distributed through the year are recognized in the condensed consolidated interim financial statements only when they can be estimated or deferred appropriately.

**2.3 Basis of Consolidation**

The condensed consolidated interim financial statements include the accounts of the parent company, Petkim and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with IFRS applying uniform accounting policies and presentation.

**a) Subsidiaries**

All companies that have control over the Group are affiliates of the Group. The Group controls the entity if it is exposed to variable interest due to its relationship with the entity or if it has the right to influence the entity at the same time. Control over the subsidiary the subsidiary is included in the consolidation as of the date of its transition to the Group. Since the control on the subsidiary has ended, the related subsidiary is excluded from the scope of consolidation.

The balance sheets and income statements of the companies included in the consolidation have been consolidated using the full consolidation method and all debit/credit balances and transactions between them have been mutually canceled. The shareholding amounts and the shareholders' equity of the companies participating in are eliminated mutually. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TAS/IFRS applying uniform accounting policies and presentation. Gains and losses arising from intra-group transactions recognized in assets are eliminated when the losses are offset against each other and unrealized losses are eliminated when the transaction does not indicate an impairment in the transferred asset.

The non-controlling share in the net assets and results of subsidiaries for the period are classified within the materiality principle of the account in the consolidated statements of balance sheets and retained earnings. The accounting policies of the subsidiaries have been changed where necessary to be consistent with the accounting policies accepted by the Group.

The table below sets out the associates and the proportion of ownership interest as of 31 March 2020 and 31 December 2019.

<u><b>Subsidiaries</b></u>	<b>Direct or Indirect Control Shares of Company (%)</b>	
	<b>31 March 2020</b>	<b>31 December 2019</b>
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENT (Continued)**

**2.3 Basis of Consolidation (Continued)**

**b) Foreign currency translation**

*i) Functional and presentation currency*

The financial statements of each company of the Group are measured in the currency in which the entity is located and in which the operations are maintained ('functional currency'). As a result of the Group management's assessment, the functional currency of Petlim has been designated as US Dollars as of 1 January 2017 due to Petlim's commencement of its operations and generating all its revenues in US Dollars. The condensed consolidated interim financial statements have been prepared and presented in Turkish lira ('TL') which is the parent company's functional and presentation currency.

*ii) Transactions and balances*

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange gain or losses arising from the settlement translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet dates are included in consolidated comprehensive income, except for the effective portion of foreign currency hedge of cash flow which are included under shareholder's equity.

*iii) Translation of financial statements of subsidiaries, whose functional currency is not Turkish liras*

As of 31 March 2020, Petlim's assets and liabilities are translated into TL from the foreign exchange rate at the date of that balance sheet date. The income and expenses of Petlim are translated into TL at the average exchange rate. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in 'currency translation differences' in other comprehensive income.

The balance sheet date rates and average rates used for translation for the related periods are as follows:

<b>The end of the period:</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
Turkish Liras/US Dollars	6.5160	5.9402
<b>Average:</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
Turkish Liras/USD Dollars	6.0921	5.3629

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENT (Continued)**

**2.4 Amendments in Turkish Financial Reporting Standards**

**a) Standards, amendments and interpretations applicable as at 31 March 2020:**

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This TFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENT (Continued)**

**2.4 Amendments in Turkish Financial Reporting Standards (Continued)**

- **Annual improvements 2015 - 2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
  - IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and
  - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- b) **Other new standards, amendments and interpretations issued and effective as of 1 January 2019 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.**
- c) **Standards, amendments and interpretations that are issued but not effective as at 31 March 2020:**
  - **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
  - **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Group will evaluate the effects of these alterations above to the their operations and will follow them from the validation date. The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.



**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENT (Continued)**

**2.5 Comparative Information and Restatement of Previous Year Financial Statements**

The Group prepared its interim condensed consolidated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 March 2020 on a comparative basis with balance sheet at 31 December 2019; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 March 2020 on a comparative basis with financial statements for the period of 1 January - 31 March 2019. For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

**2.6 Critical Accounting Estimates and Judgments**

**a) Provision for lawsuits**

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 18.

**b) Useful life of tangible and intangible assets and investment property**

The Group determines useful lives of tangible and intangible assets and investment properties in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 31 March 2020.

**c) Deferred income tax assets**

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 12). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENT (Continued)**

**2.6 Critical Accounting Estimates and Judgments (Continued)**

**d) Provision for employee benefits**

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are used to calculate Group’s provision for employee benefits. Such assumptions used in determination of the provision for defined benefit plans are disclosed in Note 10.

**e) Exchange rate valuation of foreign currency denominated advances given to related parties  
in accordance with share purchase of Rafineri Holding A.Ş.**

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement (‘Agreement’) has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase consideration of USD720 million. The shares of Rafineri Holding, which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim’s own discretion and finalization of share transfer is subject to Group’s operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 March 2020 and have been subjected to exchange rate valuation.

**NOTE 3 - SEGMENT REPORTING**

Operating segments are identified on the same basis as financial information is reported internally to the Group’s chief operating decision maker. The Company Board of Directors has been identified as the Group’s chief operating decision maker who is responsible for allocating resources between segments and assessing their performances. The Group management determines operating segments by reference to the reports reviewed by the Board of Directors to make strategic decisions.

The operating segment of the Group are as follows;

- Petrochemical
- Port

The Board of Directors assesses the performance of operating segments with specific criteria and measurement units. This measurement criterion consists of net sales and operating profit. Assets and liabilities of the segment include all assets and liabilities of the Group.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 3 - SEGMENT REPORTING (Continued)**

**a) Revenue**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Petrochemical	2.738.016	2.807.128
Port	28.337	24.959
<b>Total before eliminations and adjustments</b>	<b>2.766.353</b>	<b>2.832.087</b>
Consolidation eliminations and adjustments	-	-
	<b>2.766.353</b>	<b>2.832.087</b>

**b) Operating profit**

Petrochemical	113.893	262.807
Port	16.741	4.332
<b>Total before eliminations and adjustments</b>	<b>130.634</b>	<b>267.139</b>
Consolidation eliminations and adjustments	2.206	2.521
<b>Operating profit</b>	<b>132.840</b>	<b>269.660</b>
Financial (expenses)/income, net	(131.717)	(87.209)
Income from investing activities, net	9.569	8.047
<b>Profit before tax from continued operations</b>	<b>10.692</b>	<b>190.498</b>
Tax expense	(20.473)	(46.675)
<b>Profit for the period</b>	<b>(9.781)</b>	<b>143.823</b>

**c) Total assets**

	<b>31 March 2020</b>	<b>31 December 2019</b>
Petrochemical	13.743.091	13.791.030
Port	2.441.021	2.266.664
<b>Total before eliminations and adjustments</b>	<b>16.184.112</b>	<b>16.057.694</b>
Consolidation eliminations and adjustments	(1.313.790)	(1.256.361)
	<b>14.870.322</b>	<b>14.801.333</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 3 - SEGMENT REPORTING (Continued)**

**d) Total liabilities**

	<b>31 March 2020</b>	<b>31 December 2019</b>
Petrochemical	8.511.584	8.529.570
Port	2.509.192	2.312.556
<b>Total before eliminations and adjustments</b>	<b>11.020.776</b>	<b>10.842.126</b>
Consolidation eliminations and adjustments	(923.647)	(889.674)
	<b>10.097.129</b>	<b>9.952.452</b>

**NOTE 4 - CASH AND CASH EQUIVALENTS**

	<b>31 March 2020</b>	<b>31 December 2019</b>
Banks	3.676.938	4.037.170
- Demand deposits	12.272	6.049
- TL	1.766	597
- Foreign currency	10.506	5.452
- Time deposits	3.664.666	4.031.121
- TL	686.653	593.909
- Foreign currency	2.978.013	3.437.212
	<b>3.676.938</b>	<b>4.037.170</b>

The weighted average effective interest rates of USD and EUR monthly deposits are 1,64% and 0,11% per annum, respectively (31 December 2019: USD 2,24%, EUR 1,25%).

As of 31 March 2020, the TL dominated time deposits consist of overnight and the weighted average effective interest rate is 10,72% per annum (31 December 2019: Overnight 9,75%). The Group has no blocked deposits as of 31 March 2020 (31 December 2019: None).

**NOTE 5 - INVENTORIES**

	<b>31 March 2020</b>	<b>31 December 2019</b>
Raw materials	279.302	201.929
Work-in-progress	219.968	275.846
Finished goods	246.602	236.747
Trade goods	44.224	62.775
Goods in transit	75.615	108.851
Other inventories	66.572	55.896
Less: Provision for impairment on inventories	(29.062)	(12.888)
	<b>903.221</b>	<b>929.156</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 5 - INVENTORIES (Continued)**

Movements of provision for impairment on inventory for the periods ended 1 January - 31 March 2020 and 2019 were as follows:

	2020	2019
<b>1 January</b>	<b>(12.888)</b>	<b>(33.315)</b>
Current year additions	(16.174)	30.237
<b>31 March</b>	<b>(29.062)</b>	<b>(3.078)</b>

**NOTE 6 - BORROWINGS AND BORROWING COSTS**

	31 March 2020	31 December 2019
Short-term borrowings	1.936.812	2.180.590
Short-term portions of long-term borrowings	247.071	223.245
Bonds issued (**)	32.034	72.645
Short-term lease liabilities	27.936	24.815
Other financial liabilities (*)	1.523.186	1.510.275
<b>Short term financial liabilities</b>	<b>3.767.039</b>	<b>4.011.570</b>
Long term borrowings	1.479.853	1.385.373
Long-term lease liabilities	35.303	36.425
Bonds issued (**)	3.249.056	2.961.641
Other financial liabilities (*)	373.416	-
<b>Long term borrowings</b>	<b>5.137.628</b>	<b>4.383.439</b>
<b>Total financial liabilities</b>	<b>8.904.667</b>	<b>8.395.009</b>

(\*) Other financial liabilities consist of letters of credits and murabaha loan arising from naphtha purchases. The average remaining maturity of other financial liabilities is 207 days as of 31 March 2020 (31 December 2019: Average remaining maturity 147 days).

(\*\*) Petkim issued bonds listed on Ireland stock exchange and release of these bonds were realized on 26 January 2018. Total amount of these issued bonds 500 million USD, with a maturity of 5 years, coupon payment every 6 months and paying principal at the end of the maturity, with an annual interest rate of 5,875%.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN  
1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)**

	Effective weighted average interest rate p.a. (%)		Original currency		TL equivalent	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
<b>Short-term borrowings:</b>						
TL borrowings	13,75 - No Interest	13,75 - No Interest	45.735	33.433	45.735	33.433
USD borrowings	Libor + 0,30 + 2,25	Libor + 0,50 + 2,25	268.075	361.462	1.746.777	2.147.157
EUR borrowings	Euribor + 0,50	-	20.000	-	144.300	-
<b>Short-term portions of long-term borrowings and bond issued:</b>						
TL borrowings	11,26 – 13,00	11,26 – 13,00	72.591	71.170	72.591	71.170
USD borrowings	Libor + 4,67 – 4,26	Libor + 4,67 – 4,26	14.441	13.017	94.098	77.322
EUR borrowings	Euribor + 0,72 + 3,00 – 1,64	Euribor + 0,72 + 3,00 – 1,64	11.141	11.240	80.382	74.753
Bond issued	5,88	5,88	4.916	12.229	32.034	72.645
<b>Total short-term borrowings</b>					<b>2.215.917</b>	<b>2.476.480</b>
<b>Long-term borrowings and bond issued:</b>						
USD borrowings	Libor + 4,67 – 4,26	Libor + 4,67 – 4,26	200.887	202.830	1.308.980	1.204.849
EUR borrowings	Euribor + 3,00	Euribor + 0,72 + 3,00 – 1,64	23.683	27.144	170.873	180.524
Bond issued	5,88	5,88	498.627	498.576	3.249.056	2.961.641
<b>Total long-term borrowings</b>					<b>4.728.909</b>	<b>4.347.014</b>
<b>Total borrowings</b>					<b>6.944.826</b>	<b>6.823.494</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD BETWEEN  
1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)**

The redemption schedule of long-term bank borrowings as of 31 March 2020 and 31 December 2019 is as follows:

	<b>31 March 2020</b>
2021	195.131
2022	219.552
2023	3.435.523
2024	234.837
2024 over	643.866
	<b>4.728.909</b>
	<b>31 December 2019</b>
2020	171.302
2021	194.664
2022	3.135.916
2023	195.195
2024	245.568
2024 over	404.369
	<b>4.347.014</b>

Movements of net financial debt reconciliation are as of 1 January - 31 March 2020 and 2019 as follows:

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>4.296.599</b>	<b>4.315.873</b>
Proceeds from financial liabilities	1.066.382	688.880
Repayments of financial liabilities	(1.249.481)	(1.102.143)
Changes in foreign exchange	725.159	439.260
Changes in interest accrual	(34.401)	(34.781)
Changes in cash and cash equivalents	360.232	431.541
<b>31 March</b>	<b>5.164.490</b>	<b>4.738.630</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE PERIOD BETWEEN 1  
JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT**

	<b>1 January 2020</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>Foreign currency translation differences</b>	<b>31 March 2020</b>
<b>Cost:</b>						
Land	123.896	-	-	-	-	123.896
Land improvements	225.088	-	7	-	297	225.392
Buildings	189.637	-	-	-	93	189.730
Machinery and equipment	7.660.869	-	18	(1.885)	-	7.659.002
Motor vehicles	11.628	-	288	(591)	-	11.325
Furniture and fixtures	144.586	-	2.430	(1.453)	64	145.627
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	1.818.385	-	-	-	164.428	1.982.813
Construction in progress	838.492	133.494	(8.531)	-	70	963.525
	<b>11.014.248</b>	<b>133.494</b>	<b>(5.788)</b>	<b>(3.929)</b>	<b>164.952</b>	<b>11.302.977</b>
<b>Accumulated depreciation:</b>						
Land improvements	(106.454)	(2.826)	-	-	(109)	(109.389)
Buildings	(115.453)	(1.140)	-	-	(55)	(116.648)
Machinery and equipment	(5.865.400)	(65.111)	-	151	-	(5.930.360)
Motor vehicles	(10.618)	(199)	-	586	-	(10.231)
Furniture and fixtures	(77.103)	(3.490)	-	1.199	(56)	(79.450)
Other fixed assets	(996)	-	-	-	-	(996)
Assets subject to operating lease	(671)	-	-	-	-	(671)
Leasehold improvements	(146.406)	(15.027)	-	-	(14.272)	(175.705)
	<b>(6.323.101)</b>	<b>(87.793)</b>	<b>-</b>	<b>1.936</b>	<b>(14.492)</b>	<b>(6.423.450)</b>
<b>Net book value</b>	<b>4.691.147</b>					<b>4.879.527</b>



**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE PERIOD BETWEEN 1  
JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<b>1 January 2019</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>Foreign currency translation differences</b>	<b>31 March 2019</b>
<u>Cost:</u>						
Land	16.216	-	-	(2)	-	16.214
Land improvements	206.498	-	-	-	189	206.687
Buildings	187.797	-	-	-	59	187.856
Machinery and equipment	7.408.282	-	350	-	-	7.408.632
Motor vehicles	11.628	-	-	-	-	11.628
Furniture and fixtures	124.523	-	3.225	(18)	43	127.773
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	1.624.656	-	-	-	104.963	1.729.619
Construction in progress	555.530	109.142	(9.293)	-	231	655.610
	<b>10.136.797</b>	<b>109.142</b>	<b>(5.718)</b>	<b>(20)</b>	<b>105.485</b>	<b>10.345.686</b>
<u>Accumulated depreciation:</u>						
Land improvements	(97.567)	(2.134)	-	-	(46)	(99.747)
Buildings	(110.919)	(1.114)	-	-	(29)	(112.062)
Machinery and equipment	(5.687.677)	(55.408)	-	-	-	(5.743.085)
Motor vehicles	(9.758)	(222)	-	-	-	(9.980)
Furniture and fixtures	(65.887)	(2.875)	-	5	(35)	(68.792)
Other fixed assets	(996)	-	-	-	-	(996)
Assets subject to operating lease	(77.927)	(13.641)	-	-	(5.716)	(97.284)
Leasehold improvements	(671)	-	-	-	-	(671)
	<b>(6.051.402)</b>	<b>(75.394)</b>	<b>-</b>	<b>5</b>	<b>(5.826)</b>	<b>(6.132.617)</b>
<b>Net book value</b>	<b>4.085.395</b>					<b>4.213.069</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 8 - DEFERRED REVENUE**

**a) Short term deferred revenue**

	31 March 2020	31 December 2019
Advances received	56.164	42.028
Deferred revenue	332	511
	<b>56.496</b>	<b>42.539</b>

**NOTE 9 - PREPAID EXPENSES**

**a) Short-term prepaid expenses**

	31 March 2020	31 December 2019
Advances given for inventory	75.292	28.531
Prepaid rent, insurance and other expenses	17.387	8.439
Advances given for customs procedures	-	3.326
	<b>92.679</b>	<b>40.296</b>

**b) Long-term prepaid expenses**

Advances given for property, plant and equipment	33.724	33.941
Prepaid rent, insurance and other expenses	1.847	1.869
	<b>35.571</b>	<b>35.810</b>

**NOTE 10 - EMPLOYEE BENEFITS**

**a) Short-term employee benefits:**

	31 March 2020	31 December 2019
Provision for bonus premium	6.941	24.500
Provision for seniority incentive bonus	8.182	9.280
	<b>15.123</b>	<b>33.780</b>

**b) Long-term employee benefits:**

Provision for employment termination benefits	88.719	94.821
Provision for unused vacation rights	32.688	19.196
Provision for seniority incentive bonus	6.112	5.106
	<b>127.519</b>	<b>119.123</b>

***Provision for employment termination benefits:***

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 10 - EMPLOYEE BENEFITS (Continued)**

**b) Long-term employee benefits (Continued):**

The amount payable consists of one month's salary limited to a maximum of full TL6.730,15 for each year of service as of 31 March 2020 (31 December 2019: Full TL6.379,86).

The liability is not funded, as there is no funding requirement.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

TAS 19 requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Net discount rate (%)	3,50	3,50
Probability of retirement (%)	100,00	100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TL6.730,15 which is effective from 1 January 2020, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2019: Full TL6.017,60).

***Provision for seniority incentive bonus:***

Seniority incentive bonus is a benefit provided to the personnel to promote their loyalty to the job and workplace.

The bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 and 100 days of gross salary for 30, 35 and 40 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

For the non-union personnel working at the Company, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30, 35 and 40 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 10 - EMPLOYEE BENEFITS (Continued)**

**b) Long-term employee benefits (Continued):**

***Provision for employment termination benefits (Continued):***

The seniority incentive bonus provision is calculated by estimating the present value of the future probable obligation arising from the qualification of the employees for the bonus.

TAS 19 requires that actuarial valuation methods to be developed to estimate the employee benefit provisions. The following actuarial assumptions have been used in the calculation of the total provision:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Net discount rate (%)	3,50	3,50
Probability of retirement (%)	100,00	100,00

**NOTE 11 - EQUITY**

The shareholders of the Company and their shareholdings as of 31 March 2020 and 31 December 2019 were as follows:

<b>Group:</b>	<b>Shareholder:</b>	<b>31 March 2020</b>		<b>31 December 2019</b>	
		<b>Share (%)</b>	<b>Amount</b>	<b>Share (%)</b>	<b>Amount</b>
A	Socar Turkey Petrokimya A.Ş.	51,00	1.077.120	51,00	1.077.120
A	Publicly traded and other	49,00	1.034.880	49,00	1.034.880
C	Privatization Administration	0,01	-	0,01	-
<b>Total paid share capital</b>		<b>100</b>	<b>2.112.000</b>	<b>100</b>	<b>2.112.000</b>
Adjustment to share capital			238.988		238.988
<b>Total share capital</b>			<b>2.350.988</b>		<b>2.350.988</b>

Adjustment to share capital represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement.

Capital of the Company is composed of all registered shares (31 December 2019: All registered).

The following matters are subject to the approval of the member of the Board of Directors representing the C type share:

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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**NOTE 11 - EQUITY (Continued)**

- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company,
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

**Dividend distribution**

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from 1 February 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The dividend distribution policy of the Company has been determined in accordance with the Communiqué on Dividends II-19-1 as follows:

- In line with the determination of Profit Distribution Policy in 2013 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with relevant communiqués, the Profit Distribution resolution to be taken by the Board of Directors in the form of cash and/or shares and/or installments as long as the amount is not below than 50% of the distributable profit within the frame of the provisions of Capital Market Legislation and Turkish Commercial Code shall be submitted to the approval of General Assembly; and the distribution shall be completed within legal terms.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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**NOTE 11 - EQUITY (Continued)**

- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that calculated 'net distributable profit for the year' is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, 'Share Capital', 'Restricted Reserves' and 'Share Premiums' shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- The difference arising from the 'Paid-in Capital' and not been transferred to capital yet, shall be classified under the 'Inflation Adjustment to Share Capital';
- The difference due to the inflation adjustment of 'Restricted reserves' and 'Share premium' and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under 'Retained earnings'. Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 12 - TAX ASSETS AND LIABILITIES**

**a) Corporate tax:**

Current tax asset at 31 March 2020 and 31 December 2019 are summarized below:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Calculated corporation tax	-	50.677
Less: Prepaid taxes	(9.131)	(54.674)
<b>Total corporation tax asset</b>	<b>(9.131)</b>	<b>(3.997)</b>

Tax expenses included in the income statement for the consolidated consolidated interim periods ended 31 March 2020 and 31 December 2019 are summarized below:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Deferred tax income	(20.473)	(26.023)
Current period tax expense	-	(20.652)
<b>Total tax expense</b>	<b>(20.473)</b>	<b>(46.675)</b>

**b) Deferred taxes**

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the CMB Financial Reporting Standards and the statutory tax financial statements.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, 'Bazı Vergi Kanunları ile Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun', corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 12 - TAX ASSETS AND LIABILITIES (Continued)**

**b) Deferred taxes (Continued)**

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 March 2020 and 31 December 2019 were as follows:

	<b>Taxable Temporary Differences</b>		<b>Deferred Income Tax Assets/(Liabilities)</b>	
	<b>31 March 2020</b>	<b>31 December 2019</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(287.936)	(185.629)	(57.587)	(37.126)
Other	(6.474)	-	(1.295)	-
<b>Deferred income tax liabilities</b>	<b>(294.410)</b>	<b>(185.629)</b>	<b>(58.882)</b>	<b>(37.126)</b>
Unused investment incentives	887.835	860.956	234.166	228.251
Provision for employee benefits	142.642	152.898	28.528	30.580
Deferred revenue related to the Port rental agreement	16.100	14.504	3.220	2.901
Carry forward tax losses	170.491	121.212	34.098	24.242
Fair value difference of derivative financial instruments	71.541	24.118	14.308	4.824
Inventory provision	29.062	12.888	5.812	2.578
Rent allowance fee	3.932	4.141	786	828
Provision for legal cases	2.635	2.635	527	527
Other	53.468	19.105	10.694	3.821
<b>Deferred income tax assets</b>	<b>1.377.706</b>	<b>1.212.457</b>	<b>332.139</b>	<b>298.552</b>
<b>Deferred tax assets/liabilities, net</b>			<b>273.257</b>	<b>261.426</b>

The movement of deferred income tax is as follows:

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>261.426</b>	<b>270.900</b>
Recognized in the profit or loss statement	(20.474)	(26.023)
Recognized in other comprehensive income	9.486	(1.659)
Foreign currency translation differences	22.819	16.249
<b>31 March</b>	<b>273.257</b>	<b>259.467</b>

As of 31 March 2020, the Group has TL887.835 unused investment spending for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections (31 December 2019: TL860.956).



**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 13 - GENERAL ADMINISTRATIVE EXPENSES**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Personnel expense	(55.109)	(48.011)
Depreciation and amortization	(16.435)	(10.178)
Outsourced services	(10.700)	(13.075)
Energy expenses	(7.256)	(7.019)
Taxes, funds and fees	(2.238)	(2.342)
Other	(8.815)	(6.580)
	<b>(100.553)</b>	<b>(87.205)</b>

**NOTE 14 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES**

**a) Other operating income:**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Foreign exchange gains	99.305	63.707
Term sales income	1.900	24.931
Rent income	2.736	3.326
Other	7.553	3.340
	<b>111.494</b>	<b>95.304</b>

**b) Other operating expenses:**

Foreign exchange losses	(33.760)	(23.582)
Consultancy expenses	(6.353)	(2.131)
Term purchase expense	(952)	(7.785)
Provision for doubtful receivables	(412)	(1.321)
Other	(6.230)	(7.472)
	<b>(47.707)</b>	<b>(42.291)</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 15 - FINANCIAL INCOME/EXPENSES**

**a) Financial income**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Foreign exchange gain	719.512	525.140
Interest income	30.909	32.665
Other	661	994
	<b>751.082</b>	<b>558.799</b>

**b) Financial expense**

Foreign exchange loss	(769.043)	(537.247)
Interest expense	(109.551)	(98.067)
Interest expense on employee benefits	(2.943)	(3.854)
Commission expense	(1.262)	(6.840)
	<b>(882.799)</b>	<b>(646.008)</b>

**NOTE 16 – EARNINGS/(LOSS) PER SHARE**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Net profit for the period of the equity holders of the parent	(13.129)	154.029
Weighted average number of shares with nominal value of Kr1 each (thousand)	211.200	211.200
<b>Earnings per share (Kr)</b>	<b>(0.0062)</b>	<b>0.0729</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Summary of the intercompany balances as of 31 March 2020 and 31 December 2019 and significant intercompany transactions during the period were as follows:

**i) Balances with related parties**

**a) Trade receivables from related parties:**

	31 March 2020	31 December 2019
SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	152.160	151.695
SOCAR Azerikimya Production Union <sup>(2)</sup>	413	-
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	282	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon. <sup>(2)</sup>	28	-
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. <sup>(2)</sup>	-	20
	<b>152.883</b>	<b>151.715</b>

- (1) Shareholders of the Company  
(2) Shareholders of the Company or SOCAR's subsidiaries

**b) Short term other receivables from related parties:**

SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup>	3.424	7.009
STEAS <sup>(1)</sup>	158	164
SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	148	71
STAR <sup>(2)</sup>	148	541
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	6	6
SOCAR Trading SA <sup>(2)</sup>	-	164
Socar Turkey Petrol Ener. Dağ. A.Ş. <sup>(2)</sup>	-	679
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	-	38
	<b>3.884</b>	<b>8.672</b>

**c) Long term other receivables from related parties:**

SOCAR Power Enerji Yatırımları A.Ş. <sup>(2)</sup>	7.464	6.462
	<b>7.464</b>	<b>6.462</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**i) Balances with related parties (Continued)**

**d) Short term trade payables to related parties:**

	31 March 2020	31 December 2019
SOCAR Enerji Ticaret AŞ. <sup>(2)</sup>	77.114	-
STEAS <sup>(1)</sup>	62.004	115.374
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	6.762	15.235
STAR <sup>(2)</sup>	4.050	273.692
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	2.327	-
Socar Turkey Petrol Ener. Dağ. A.Ş. <sup>(2)</sup>	582	45.051
Azoil Petrolcülük A.Ş. <sup>(2)</sup>	316	868
SOCAR Turkey Petrokimya A.Ş. <sup>(1)</sup>	-	71.285
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	-	11.810
SOCAR Turkey Fiber Optik A.Ş. <sup>(2)</sup>	-	244
Other <sup>(2)</sup>	-	109
	<b>153.155</b>	<b>533.668</b>

Short term trade payables to related parties mainly consist of consultancy, service and product purchases. Average maturity of short term trade payables is 13 days (31 December 2019: 11 days).

- (1) Shareholders of the Company  
(2) Shareholders of the Company or SOCAR's subsidiaries

**e) Other payables to related parties:**

Due to shareholder	87	87
	<b>87</b>	<b>87</b>

**f) Short term deferred revenue from related parties**

STAR <sup>(2)</sup>	25.702	184
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	1.958	-
SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	595	-
	<b>28.255</b>	<b>184</b>

**g) Long term deferred revenue from related parties**

SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	206.795	190.228
STAR <sup>(2)</sup>	4.325	4.372
	<b>211.120</b>	<b>194.600</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**i) Balances with related parties (Continued)**

**h) Short term prepaid expense to related parties**

	31 March 2020	31 December 2019
STEAS <sup>(1) (*)</sup>	3.129.021	2.852.279
STAR <sup>(2)</sup>	1.813	1.813
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	88	-
SOCAR Logistics DMCC <sup>(2)</sup>	75	604
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	91	-
Other <sup>(2)</sup>	-	193
	<b>3.131.088</b>	<b>2.854.889</b>

(\*) As a result of negotiations between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement ('Agreement') has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase price of USD720 million. Rafineri Holding A.Ş. owns 60% shares of SOCAR Turkey Yatırım A.Ş. The shares of Rafineri Holding which are subject to the contract may be purchased by the Group provided that the conditions specified in the Agreement are realized on a date which is defined as the closing date in the contract. Closing date defined as 31 March 2019 as per agreement is modified as no later than 30 June 2020 by modification memorandum signed at 7 March 2019. As the agreement, Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalisation of the share transfer is subject to Group's operational performance and cash flows, advances paid are reclassified as prepaid expenses to related parties in the balance sheet as of 31 March 2020 and have been subject to Exchange rate valuation.

**i) Long term prepaid expense to related parties**

STAR <sup>(2)</sup>	21.480	21.935
STEAS <sup>(1)</sup>	1.500	1.481
	<b>22.980</b>	<b>23.416</b>

(1) Shareholders of the Company

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**j) Short term operational lease liabilities from related parties**

SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	26.462	22.793
STEAS <sup>(1)</sup>	4.052	2.881
STAR <sup>(2)</sup>	1.559	-
	<b>32.073</b>	<b>25.674</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**i) Balances with related parties (Continued)**

**k) Long term operational lease liabilities from related parties**

	31 March 2020	31 December 2019
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	119.989	92.293
STEAS <sup>(1)</sup>	4.251	11.268
	<b>124.240</b>	<b>103.561</b>

**ii) Transactions with related parties**

**a) Other income/(expenses), income from investing activities and finance income/(expenses)  
from related party transactions - net:**

	1 January - 31 March 2020	1 January - 31 March 2019
STEAS <sup>(1)</sup>	276.834	175.349
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup>	2.607	-
SOCAR Power Enerji Yatırımları A.Ş. <sup>(2)</sup>	855	8.673
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	587	-
SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	344	-
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	129	536
SOCAR Azerikimya Production Union <sup>(2)</sup>	24	20
SOCAR Turkey Fiber Optik A.Ş. <sup>(2)</sup>	3	-
SOCAR Turkey Petrol Enerji Dağ. A.Ş. <sup>(2)</sup>	-	(5.492)
SOCAR Trading SA <sup>(2)</sup>	-	1
SOCAR Logistics DMCC <sup>(2)</sup>	(13)	-
SOCAR Turkey Petrokimya A.Ş. <sup>(1)</sup>	(1.345)	-
STAR <sup>(2)</sup>	(6.459)	(2.712)
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	(23.434)	(9.226)
	<b>250.132</b>	<b>167.149</b>

The breakdown of income from STAR is as follows; TL5.677 is foreign exchange loss, TL782 other expense and the breakdown of income from STEAS is as follows; TL276.387 is foreign exchange gain and TL447 other income. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of interest income.

(1) Shareholders of the Company

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**ii) Transactions with related parties (Continued)**

**b) Service and rent purchases from related parties:**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	6.066	-
STEAS <sup>(1)</sup>	2.953	4.774
STAR <sup>(2)</sup>	2.474	4.292
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	3.759	4.221
SOCAR Turkey Petrol Enerji Dağıtım. A.Ş. <sup>(2)</sup>	882	-
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	45	17
	<b>16.179</b>	<b>13.304</b>

**c) Product purchase from related parties:**

STAR <sup>(2)</sup>	630.782	214.590
SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>	202.372	-
SOCAR Logistics DMCC <sup>(2)</sup>	37.809	-
Azoil Petrolcülük A.Ş. <sup>(2)</sup>	578	619
SOCAR Turkey Petrol Enerji Dağıtım A.Ş. <sup>(2)</sup>	-	189.896
SOCAR Turkey Petrokimya A.Ş. <sup>(1)</sup>	-	153.751
	<b>871.541</b>	<b>558.856</b>

Purchases made from related parties consist of raw materials and commercial products purchases. Purchases made from STAR consist of 297.100 tone of naphta purchasing, amounting to TL627.758 and other products purchasing 344 tone TL3.024.

**d) Product and service sales to related parties:**

STAR <sup>(2)</sup>	40.733	14.976
SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	29.391	998
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	1.383	589
SOCAR Azerikimya Production Union <sup>(2)</sup>	389	507
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	68	-
STEAS <sup>(1)</sup>	-	109
	<b>71.964</b>	<b>17.179</b>

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**ii) Transactions with related parties (Continued)**

**e) Rent income from related parties:**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
STAR <sup>(2)</sup>	8.512	8.748
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	408	409
SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	132	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş.. <sup>(2)</sup>	23	-
Diğer	7	-
	<b>9.082</b>	<b>9.157</b>

**f) Key management emoluments:**

**i. Key management emoluments-short term:**

Payments for salary and seniority incentives	10.952	9.896
	<b>10.952</b>	<b>9.896</b>

**ii. Key management emoluments-long term:**

Provision for unused vacation	505	575
Provision for employment termination benefits	8	10
Provision for seniority incentives	11	149
	<b>524</b>	<b>734</b>

	<b>11.476</b>	<b>10.630</b>
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The Group classifies the general manager, assistant general managers, and board of directors and audit committee members as executive management. Key management emoluments consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**a) Short-term provisions:**

	31 March 2020	31 December 2019
Provision for legal cases	2.635	2.635
	<b>2.635</b>	<b>2.635</b>

**b) Guarantees received:**

Bank guarantees within the context of DOCS	1.092.169	1.059.061
Letters of guarantee received from customers	622.093	617.505
Receivable insurance	574.362	596.343
Letters of guarantee received from suppliers	280.424	251.510
Letters of credit	125.372	131.342
Mortgages	2.000	2.000
	<b>2.696.420</b>	<b>2.657.761</b>

**c) Guarantees given:**

Mortgages given to banks	2.248.689	2.511.496
Mortgage given to banks (*)	1.233.036	1.127.219
Custom offices	100.761	99.400
Other	26.634	26.869
	<b>3.609.120</b>	<b>3.764.984</b>

- (\*) Petlim Limancılık Ticaret A.Ş. has signed a project finance credit agreement with a financial institution at an amount of USD212 million which has 13 years maturity with the first 3 years no repayment period, for the external funding of the container port project. Petlim has used credit limit amounting to TL1.233 thousand as of 31 March 2020. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TL105 thousand has been pledged. The project has financial ration liabilities that are valid during the operating period. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim's land sold by Petkim at a price of TL5.650.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**c) Guarantees given (Continued):**

**Collaterals, Pledges and Mortgages ('CPM') provided by the Group:**

	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>A.</b> Total amount of CPMs given for the Company's own legal personality	2.376.084	2.637.765
<b>B.</b> Total amount of CPMs given on behalf of fully consolidated companies (*)	1.233.036	1.127.219
<b>C.</b> Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
<b>D.</b> Total amount of other CPMs		
<b>i.</b> Total amount of CPMs given on behalf of the majority shareholder	-	-
<b>ii.</b> Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
<b>iii.</b> Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	<b>3.609.120</b>	<b>3.764.984</b>

**d) Ongoing cases and investigations:**

The Customs Administration levied an incremental VAT charge and fine to Group in, with the claim that the customs tariff statistical position of Pygas, which was imported by the group in 2014, requires SCT. The Group objected to the VAT charge and fine, then started legal proceedings when its objection was rejected by the Customs Administration.

While these lawsuits were in process, the Turkish Ministry of Finance started a limited tax inspection for the 2014 SCT with the claim that the customs tariff statistical position of Pygas requires SCT. As a result of this inspection, the Group was notified on 25 August 2017 of the imposition of a tax charge amounting TL66 thousand and penalty of TL99 thousand. A compromise meeting was attended for the tax and penalties communicated and no compromise was achieved. The case was filed on January 22, 2020 regarding the issue.

Subsequently on 28 September 2017 all the lawsuits which were heard at the Regional Administrative Court (the "Court of Appeals") were concluded in favour of the Group with rulings that the product's customs tariff statistical position does not require SCT, and a lawsuit was filed with the Council of State by the Customs Administration.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**d) Ongoing cases and investigations (Continued):**

Furthermore, the Turkish Ministry of Finance started a new tax inspection for 2013, 2015 and 2016 regarding our use of Pygas, following the tax loss and late payment interest notification about SCT for 2014. As a result of this inspection, an SCT loss and late payment penalty of 0.75% of the total amount was calculated by the Turkish Ministry of Finance for the relevant years, considering that the Group is entitled to receive a tax refund of 99.25%. This result is different from the result of the inspection conducted in 2014, and the tax principal and tax losses for 2013, 2015 and 2016 were accrued and the Group was informed that the sum of such losses were TL937 and TL1.405, respectively. In accordance with 7143 numbered Law regarding restruction, a fine amounting TL479 was levied to the Group. Group has paid TL 479 and these inspections has been closed.

The tax principal and the tax loss calculated for 2013, 2015 and 2016 according to the Turkish Ministry of Finance resulted to be 99.25% less than the tax principal and tax loss calculated according to the previous methodology in 2014. The tax calculation method applied by the Turkish Ministry of Finance for 2013, 2015 and 2016 is considered to be applicable and exemplary to the tax principle and tax loss calculation for 2014, which supports the estimation that the tax principal and tax penalty regarding the Group's SCT for 2014 will be concluded with a reconciliation and/or litigation, without creating a material financial risk.

The Group management and the Group legal consultants estimate that since the Court of Appeals has ruled that the customs tariff statistical position of Pygas does not require SCT, the tax principal and penalty communicated by the Turkish Ministry of Finance will then be concluded with a settlement and/or litigation in a way that does not constitute any material financial risk. Thus, no provision has been recognised in the consolidated financial statements as of 31 December 2019.

As a result of this judicial process, the Group expects that Pygas will not have the GTIP number with the excise duty claimed by the Customs administration, and that the Group will have the GTIP number without the excise duty claimed.

**e) Operational leases**

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 31 March 2020 and 31 December 2019 are as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
0 - 1 year	743.945	708.633
1 - 5 year(s)	789.974	736.636
5 years and more	2.915.811	2.835.333
<b>Total</b>	<b>4.449.730</b>	<b>4.280.602</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH  
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENT FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**Foreign exchange risk**

The Group is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a policy to balance and manage their foreign exchange risk. Existing risks are followed in meetings held by the Group’s Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group’s foreign exchange position.

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange-denominated cost items, the determination of sales prices by the Group in foreign exchange terms is a factor that decreases the foreign exchange risk in the cash flows.

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE PERIOD BETWEEN  
1 JANUARY AND 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**Foreign currency position**

	31 March 2020				31 December 2019			
	TL equivalent	US Dollar	EUR	Other	TL equivalent	US Dollar	EUR	Other
1. Trade receivables	980.478	123.252	24.584	-	1.132.694	153.573	33.146	102
2a. Monetary financial assets (Cash, bank accounts included)	6.110.463	921.410	14.708	439	6.300.018	1.034.880	22.934	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
<b>3. Current assets (1+2)</b>	<b>7.090.941</b>	<b>1.044.662</b>	<b>39.292</b>	<b>439</b>	<b>7.432.712</b>	<b>1.188.453</b>	<b>56.080</b>	<b>102</b>
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
<b>7. Non-current assets (4+5+6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8. Total assets (3+7)</b>	<b>7.090.941</b>	<b>1.044.662</b>	<b>39.292</b>	<b>439</b>	<b>7.432.712</b>	<b>1.188.453</b>	<b>56.080</b>	<b>102</b>
9. Trade payables	382.198	28.270	6.119	153.842	743.571	87.119	14.913	149.016
10. Financial liabilities	3.591.687	516.729	31.141	-	3.865.262	638.111	11.240	-
11a. Monetary other liabilities	917.456	23.367	22	765.040	765.040	-	-	765.040
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
<b>12. Short-term liabilities (9+10+11)</b>	<b>4.891.341</b>	<b>568.366</b>	<b>37.282</b>	<b>918.882</b>	<b>5.373.873</b>	<b>725.230</b>	<b>26.153</b>	<b>914.056</b>
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	3.904.009	572.918	23.683	-	3.242.809	515.519	27.144	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
<b>16. Long-term liabilities (13+14+15a+15b)</b>	<b>3.904.009</b>	<b>572.918</b>	<b>23.683</b>	<b>-</b>	<b>3.242.809</b>	<b>515.519</b>	<b>27.144</b>	<b>-</b>
<b>17. Total liabilities (12+16)</b>	<b>8.795.350</b>	<b>1.141.284</b>	<b>60.965</b>	<b>918.882</b>	<b>8.616.682</b>	<b>1.240.749</b>	<b>53.297</b>	<b>914.056</b>
18. Net (liability)/asset position of off-balance sheet derivative instruments (18a-18b)	368	2.271	(2.000)	-	-	-	-	-
18a. Amount of asset nature off-balance sheet derivative instruments	14.798	2.271	-	-	-	-	-	-
18b. Amount of liability nature-off balance sheet derivative instruments	(14.430)	-	(2.000)	-	-	-	-	-
<b>19. Net foreign (liability)/asset position (8-17+18)</b>	<b>(1.704.041)</b>	<b>(94.351)</b>	<b>(23.673)</b>	<b>(918.443)</b>	<b>(1.183.970)</b>	<b>(52.296)</b>	<b>2.783</b>	<b>(913.954)</b>
<b>20. Net foreign currency (liability)/asset position of monetary items (IFRS 7.B23)</b>	<b>(1.704.041)</b>	<b>(94.351)</b>	<b>(23.673)</b>	<b>(918.443)</b>	<b>(1.183.970)</b>	<b>(52.296)</b>	<b>2.783</b>	<b>(913.954)</b>
(=1+2a+4+5a-9-10-11a-13-14-15a)								
<b>21. Total fair value of financial instruments used for foreign currency hedging</b>	<b>426</b>	<b>-</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
22. Hedged amount for current assets	14.798	2.271	-	-	-	-	-	-
23. Hedged amount for current liabilities	(14.430)	-	(2.000)	-	-	-	-	-
24. Export	1.043.864	111.900	51.363	-	4.666.598	532.289	258.664	14.287
25. Import	1.481.655	223.410	17.067	19.756	5.714.698	941.396	61.936	39.954

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**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT  
(Continued)**

**Table of sensitivity analysis for foreign currency risk**

**31 March 2020**

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of US Dollars by 10% against TL:</b>				
1- Asset/Liability denominated in USD - net	(62.959)	62.959	(62.959)	62.959
2- The part hedged for USD risk (-)	-	-	1.480	(1.480)
<b>3- USD effect - net (1+2)</b>	<b>(62.959)</b>	<b>62.959</b>	<b>(61.479)</b>	<b>61.479</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/Liability denominated in EUR - net	(15.637)	15.637	(15.637)	15.637
5- The part hedged for EUR risk (-)	-	-	(1.443)	1.443
<b>6- EUR effect - net (4+5)</b>	<b>(15.637)</b>	<b>15.637</b>	<b>(17.080)</b>	<b>17.080</b>
<b>Change of other currencies by 10% against TL:</b>				
7- Assets/Liabilities denominated in other foreign currencies - net	91.692	(91.692)	91.692	(91.692)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
<b>9- Other foreign currency effect - net (7+8)</b>	<b>91.692</b>	<b>(91.692)</b>	<b>91.692</b>	<b>(91.692)</b>
<b>Total (3+6+9)</b>	<b>13.096</b>	<b>(13.096)</b>	<b>13.133</b>	<b>(13.133)</b>

**31 December 2019**

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of US Dollars by 10% against TL:</b>				
1- Asset/Liability denominated in USD - net	(31.065)	31.065	(31.065)	(31.065)
2- The part hedged for USD risk (-)	-	-	-	-
<b>3- USD effect - net (1+2)</b>	<b>(31.065)</b>	<b>31.065</b>	<b>(31.065)</b>	<b>(31.065)</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/Liability denominated in EUR - net	1.851	(1.851)	1.851	(1.851)
5- The part hedged for EUR risk (-)	-	-	-	-
<b>6- EUR effect - net (4+5)</b>	<b>1.851</b>	<b>(1.851)</b>	<b>1.851</b>	<b>(1.851)</b>
<b>Change of other currencies by 10% against TL:</b>				
7- Assets/Liabilities denominated in other foreign currencies - net	88.807	(88.807)	88.807	(88.807)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
<b>9- Other foreign currency effect - net (7+8)</b>	<b>88.807</b>	<b>(88.807)</b>	<b>88.807</b>	<b>(88.807)</b>
<b>Total (3+6+9)</b>	<b>59.593</b>	<b>(59.593)</b>	<b>59.593</b>	<b>(59.593)</b>